

Internal Revenue Service

Number: **201140008**

Release Date: 10/7/2011

Index Number: 482.00-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

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Telephone Number:

Refer Reply To:

CC:CORP:B02

PLR-111184-11

Date:

June 28, 2011

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

LLC =

Partnership =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Year 1 =

Month =

Agreement I =

Agreement II =

Agreement III =

Rescission
Agreement I =

Rescission
Agreement II =

Rescission
Agreement III =

Partnership Interest
Sale Agreement =

Segment A =

a =

b =

c =

d =

Dear :

We respond to your letter dated March 15, 2011, submitted on behalf of Parent, requesting rulings concerning the federal income tax consequences of certain completed transactions. The information submitted is summarized below.

FACTS

Parent is the common parent of an affiliated group of corporations (the Parent Group) that files a consolidated federal income tax return on a calendar year basis. At the beginning of Year 1, Parent owns all the common stock of Sub 1. Parent and Sub 2 own all of the preferred stock of Sub 1. Sub 1 owns all the stock of Sub 2 and all the class A common stock of Sub 3 (the Class A Shares). Sub 2 indirectly owns all the class B common stock of Sub 3. In addition, Sub 2 owns all the stock of Sub 4. Each of Sub 1, Sub 2, Sub 3 and Sub 4 is a member of the Parent Group. Sub 3 is a holding company that owns all of the outstanding stock of Sub 5 and the sole membership interest in LLC (collectively, the Equity Interests). Sub 3 also owns a partnership interest in Partnership (the Partnership Interest). The Partnership Interest is part of Segment A, but the Equity Interests are not part of that business segment. Sub 5 owns, and owned at all times during Year 1, approximately a percent of the outstanding stock of Sub 6, a holding company with interests in numerous entities; Parent owns the remaining stock in Sub 6.

To align Sub 3's Segment A assets with Sub 2 and its subsidiaries that conduct Segment A, Sub 1 and Sub 2 entered into Agreement I, which was made as of Date 1 and executed on Date 2. Pursuant to this agreement, Sub 1 engaged in multiple sales of equity interests to Sub 2, including Sub 1's sale of the Class A Shares to Sub 2 in exchange for the extinguishment of indebtedness, under a revolving loan facility, in the amount of \$b, which was the book value of those shares (Initial Sale I). Parent then realized that Initial Sale I inadvertently resulted in assets not related to Segment A being transferred to Sub 2, and, thus, Initial Sale II and Initial Sale III, described below, were carried out to remove those assets from Sub 2. Following Initial Sale I, Sub 3 sold the Equity Interests to Sub 2 in exchange for \$c, which was the book value of those interests (Initial Sale II). Sub 2 sold those interests to Sub 1 in exchange for \$c (Initial Sale III and, together with Initial Sale I and Initial Sale II, the Initial Sales Transactions). Initial Sale II and Initial Sale III were carried out pursuant to Agreement II and Agreement III, respectively. Both agreements were made as of Date 1, Agreement II was executed on Date 3, and Agreement III was executed on Date 2. Taxpayer explains that the execution of Agreement III prior to the execution of Agreement II was an administrative oversight and that any breach of contract that might have occurred as a result was remedied on Date 3 when the original intent of the agreements made as of Date 1 was effectuated.

At the time of the Initial Sales Transactions, Parent was not aware of Sub 3's small indirect ownership interest in Sub 6 and that, as a result, these transactions would require the fair market valuation of the Class A Shares, the Equity Interests, and the a percent interest in Sub 6, which would require significant time and expense. The parties to the Initial Sales Transactions, thus, undertook the following steps to rescind those transactions:

- (i) Sub 1 transferred the Equity Interests to Sub 2 in exchange for Sub 2's reconveyance of the consideration transferred to Sub 2 in connection with Agreement III in an amount equal to \$c (Rescission Transaction I);
- (ii) Sub 2 transferred the Equity Interests to Sub 3 in exchange for Sub 3's reconveyance of the consideration transferred to Sub 3 in connection with Agreement II in an amount equal to \$c (Rescission Transaction II); and
- (iii) Sub 2 transferred the Class A Shares to Sub 1 in exchange for Sub 1's reconveyance of the consideration transferred to Sub 1 in connection with Agreement I in an amount equal to \$b (Rescission Transaction III and, together the Rescission Transaction I and Rescission Transaction II, the Rescission Transactions).

Rescission Transaction I, Rescission Transaction II and Rescission Transaction III were carried out pursuant to Rescission Agreement I, Rescission Agreement II and Rescission Agreement III, respectively, which were each made as of and executed on Date 4.

Following the Rescission Transactions, to carry out the initial objective of aligning Sub 3's Segment A assets with Sub 2 (and its subsidiaries), Sub 3 sold the Partnership Interest to Sub 4 in exchange for consideration equal to \$d subject to a purchase price adjustment based on the financial results attributable to the Partnership Interest in Month (the Partnership Interest Sale). This sale was carried out pursuant to the Partnership Interest Sale Agreement, which was made as of Date 5 and executed on Date 6.

REPRESENTATIONS

Parent has made the following representations with respect to the Rescission Transactions:

- (a) The intent and effect of the Rescission Transactions was to restore in all material respects the legal and financial arrangements with respect to the ownership of the Class A Shares and the Equity Interests that would have existed if the Initial Sales Transactions had never occurred.
- (b) During the period beginning with the effective date of the Initial Sales Transactions and ending on the effective date of the Rescission Transactions, the Initial Sales Transactions had no practical or material economic consequences to any of Sub 1, Sub 2, or Sub 3 other than to transfer the economic ownership of the Partnership Interest, as reflected on their respective financial reports, from Sub 1 to Sub 2.

- (c) None of Sub 1, Sub 2, Sub 3 or any member of the Parent Group has taken or will take any material position for federal tax purposes inconsistent with the position that would have existed if the Initial Sales Transactions had never occurred.

RULINGS

Based solely on the facts and representations submitted, we rule that, for federal income tax purposes:

- (1) The Initial Sales Transactions and the Rescission Transactions will be disregarded;
- (2) Sub 1 will be treated as not having sold the Class A Shares to Sub 2;
- (3) Sub 1 will be treated as having owned the Class A Shares at all times during the Year 1 taxable year;
- (4) Sub 3 will be treated as not having sold the Equity Interests to Sub 2, and Sub 2 will be treated as not having owned the Equity Interests and as not having sold the Equity Interests to Sub 1;
- (5) Sub 3 will be treated as having owned the Equity Interests at all times during the Year 1 taxable year and the Partnership Interest until Date 6; and
- (6) Sub 4 owns the Partnership Interest as of Date 6.

CAVEATS

Except as expressly provide herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. We express no opinion about the tax treatment under any other provisions of the Code or the regulations or on the tax treatment of any condition existing at the time of, or effect resulting from, the transactions that are not specifically covered by the above rulings. Specifically, we do not express any opinion on the tax consequences regarding the sale of the Partnership Interest.

PROCEDURAL STATEMENTS

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with a power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Fillz A. Serbes
Chief, Branch 3
Office of Associate Chief Counsel (Corporate)

cc: